

Message Text

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ACTION EA-14

INFO OCT-01 EUR-25 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 PA-03 PRS-01 USIA-15 SAJ-01 AGR-20

IO-13 TAR-02 RSR-01 /210 W
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P R 311200Z AUG 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 6446

INFO AMEMBASSY TAIPEI

AMCONSUL HONG KONG

AMEMBASSY MOSCOW

USLO PEKING

C O N F I D E N T I A L TOKYO 11246

E.O. 11652: GDS

TAGS: ETRD, PFOR, JA, NH

SUBJ: JAPAN-PRC TRADE AGREEMENT TALKS CONCLUDE

SUMMARY: GOJ AND PRC CONCLUDED DISCUSSIONS ON TRADE AGREEMENT
AUG 30. DESPITE STATEMENT OF BASIC AGREEMENT RELEASED TO
PRESS, FONOFF SOURCE NOTED THAT MANY PROBLEMS REMAINED TO BE
SETTLED. END SUMMARY.

1. DEPUTY DIR OF FONOFF CHINA DIV. (OGURA) TOLD EMBOFF AUG 31
THAT DESPITE RELEASE OF STATEMENT OF BASIC AGREEMENT AT END OF
TWO WEEKS OF NEGOTIATIONS WITH PRC DELEGATION ON TRADE AGREEMENT,
CONCLUSION HAD REALLY NOT BEEN REACHED ON TRADE AGREEMENT, AND
DISCUSSIONS WOULD CONTINUE THROUGH DIPLOMATIC CHANNELS.

2. OGURA EXPLAINED THAT INITIAL DIFFICULTY HAD BEEN DIFFERENCE
OVER CONCEPTION OF TRADE AGREEMENT. JAPAN PROPOSED THAT THERE
SHOULD BE TWO AGREEMENTS: COMMERCE AGREEMENT EMBODYING MFN
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PROVISION, AND ADMINISTRATIVE OR TRADE AGREEMENT WITH DETAILS

LATTER NOT REQUIRING RATIFICATION BY DIET. PRC HOWEVER HAD FROM BEGINNING RESISTED THIS CONCEPT, INSISTING THAT ARTICLE IX OF TANAKA/CHOU EN-LAI COMMUNIQUE CALLED FOR ONE TREATY WHICH WAS TO BE CALLED "TRADE AGREEMENT". GOJ THUS DROPPED TWO AGREEMENT FORMULA, BUT NAME OF AGREEMENT STILL NOT SETTLED.

3. OGURA NOTED THAT BASIC AGREEMENT HAD BEEN REACHED ON THE POINTS LISTED BELOW, BUT THAT IN SOME CASES WORDING PROBLEMS REMAINED TO BE WORKED OUT.

A. EXTENSION OF MFN. DEFINITION OF MFN HOWEVER WAS PROBLEM. PRC MAINTAINED THAT MFN TREATMENT WOULD ONLY BE APPLIED TO JAPANESE PRODUCTS EXPORTED FROM JAPAN, BUT NOT FROM A THIRD COUNTRY. JAPANESE CLAIMED THIS VIOLATED INTERNATIONAL PRACTICE.

B. TRADE FAIRS. IN ESSENCE, THIS SECTION IS GENERAL CALL FOR INCREASE IN NUMBER OF TRADE FAIRS IN EACH COUNTRY.

C. CONSULTATION. GOVT-TO-GOVT TALKS WILL BE HELD IN EVENT OF TRADE DISPUTES. OGURA NOTED HOWEVER THAT THIS PROVISION FELL SHORT OF SAFEGUARD CLAUSE.

D. TECHNICAL EXCHANGE. GENERAL STRESS WAS PUT ON VALUE OF EXCHANGE OF TECHNICAL DATA.

E. CREATION OF MIXED COMMISSION. THIS GROUP WAS INTENDED TO MEET ANNUALLY TO DISCUSS TRADE PROBLEMS AND POLICIES.

F. COMMERCIAL CLAIMS. CLAUSE WAS AGREED UPON PROVIDING FOR ARBITRATION OF PRIVATE DISPUTES.

4. MAJOR DIFFICULTIES OGURA SAID WERE:

A. RE PATENTS, TRADE MARKS, AND ROYALTIES, JAPAN INSISTED THAT TECHNICAL EXCHANGE WAS NOT FEASIBLE UNLESS PATENT RIGHTS WERE ACKNOWLEDGED. PRC SIDE SAID THAT IT COULD DISCUSS ONLY HANDLING OF TRADEMARKS, SINCE PATENT POLICY NOW UNDER DISCUSSION WITHIN PRC, AND POLICY NOT YET FORMED.

B. RE TRADE LISTS, PRC WAAS UNWILLING TO ACCEPT CONCEPT OF CONFIDENTIAL

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PROVIDING TRADE ESTIMATES. JAPANESE COMPANIES ANXIOUS FOR INFORMATION ON PRC ECONOMIC PLANNING, HENCE GOJ FEELS POLITICALLY OBLIGED TO PUSH THIS ISSUE.

C. RE TARIFF PREFERENCES FOR LDCS, OGURA SAID THIS HAD BEEN MOST SENSITIVE ISSUE. UNFORTUNATELY JAPANESE SIDE HAD FELT OBLIGED TO RAISE THIS ISSUE SINCE LEGAL EXPERTS FELT GOJ MIGHT HAVE TO GRANT THESE PREFERENCES EVEN IF PRC HAD NOT

FORMALLY REQUESTED THEM. PRC HAD REPLIED THAT IT WOULD NEITHER SEEK NOR GRANT PREFERENCES, BUT DURING DISCUSSION OF JAPANESE PREFERENCE SCHEME, PREFERENCES TO TAIWAN HAD ARISEN. PRC HAD NOT INSISTED THAT PREFERENCES NOT BE GIVEN TO TAIWAN, BUT OGURA SPECULATED THAT GOJ HAD NOT YET HEARD LAST OF THIS ISSUE.

5. OGURA SAID THAT COCOM ISSUE HAD NOT ARISEN DURING TALKS. JAPANESE WERE SURPRISED TO FIND IN CHINESE DRAFT SECTION REGARDING MFN STATEMENT THAT MFN SHOULD NOT APPLY TO "QUANTATATIVE RESTRICTIONS" BY BOTH SIDES. JAPANESE SIDE HAD INDIRECTLY ASKED IF THIS MEANT THAT EXPORT RESTRICTIONS WERE ACCEPTABLE. CHINESE HAD REPLIED IN AFFIRMATIVE.

6. OGURA ADDED THAT DISCUSSIONS WERE HAMPERED BY LACK OF PRC UNDERSTANDING OF JAPANESE TRADING PRACTICES AND PRC RESISTANCE TO "CAPITALIST FORM OF NEGOTIATION", I.E. PACKAGE DEALS WITH CONCESSIONS ON ONE SIDE ON RETURN FOR CONCESSIONS ON THE OTHER.

7. AS TO FUTURE, OGURA SAID NEGOTIATIONS WOULD CONTINUE THROUGH DIPLOMATIC CHANNELS. WHEN ASKED IF DISPUTES COULD BE RESOLVED BY SEPT 29 ANNIVERSARY OF COMMUNIQUE, OGURA WOULD MAKE NO PREDICTIONS, BUT WAS CLEARLY SKEPTICAL.

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